GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:7903
ANSWERED ON:17.05.2002
FISCAL DEFICIT
SUNIL KHAN

Will the Minister of FINANCE be pleased to state:

(a): whether due to withdrawal of the Quantitative Restrictions from Exim Policy the balance of payment will be achieved; and

(b): if not, the manner in which the fiscal deficit will come down?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN)

(a): There is no evidence to suggest that the balance of payment is adversely affected due to removal of quantitative restrictions on imports. The Economic Survey 2001-02 has documented that importdata for the full financial year 2000-01 on 714 items, restrictions on which were removed with effect from 31-3-2000, did not reveal any surge in their imports following removal of such restrictions. India`s balance of payments remained comfortable in both 2000-01 and 2001-02. The current account deficit as a percentage of GDP declined from 1.1 per cent in 1999-2000 to 0.5 per cent in 2000-01 and remained under manageable limits in 2001-02. According to the latest data available for the balance of payments, the current account deficit narrowed to US $0.7 billion in April-December 2001 from US $3.2 billion during April-December 2000. India`s foreign exchange reserves increasedsubstantially from US $42.3 billion as at end-March 2001 to US $54.1billion as at end-March 2002 and presently stood at US $55.6 billionas on 3rd May, 2002, which is equivalent to ten months of imports.

(b): The central government budget for 2002-03 aims at reducing the fiscal deficit to 5.3 per cent of gross domestic product (GDP) in 2002-03 from 5.7 per cent of GDP in 2001-02(RE). This will be achievedthrough enhancing revenue collection and through strict expenditure management.